

Response to the European Commission's public consultation on a retail investment strategy for Europe

info@dufas.nl
www.dufas.nl

To European Commission
From DUFAS (the Dutch Fund and Asset Management Association)

Date 3 August 2021
Subject **European retail investment strategy**
Contact details Randy Pattiselanno, manager strategy & regulatory affairs, rp@dufas.nl

DUFAS (the Dutch Fund and Asset Management Association) welcomes the opportunity to respond to the public consultation of the European Commission on a retail investment strategy for Europe, as published by the EC on 11 May 2021.

Executive Summary

DUFAS supports the view of the Commission that an individual retail investor should benefit from: (i) adequate protection, (ii) bias-free advice and fair treatment, (iii) open markets with a variety of competitive and cost-efficient financial services and products, and (iv) transparent, comparable and understandable product information. EU legislation should be forward-looking and should reflect ongoing developments in digitalization and sustainability, as well as the increasing need for individual retirement savings.

- **General set up of the framework**

One of the goals of the CMU is encouraging consumers to save and invest in capital markets. The retail investor framework should reflect that. From that perspective, we believe that there is much room for improvement for the current retail framework in order to really empower consumers to invest for building e.g. their pension for later. The consultation from the EC seems to be more focused on the technical functioning of the various parts of the current retail investor framework. Investing comes in very different forms and shapes and as a result also very different risks. The current framework also seems to put more emphasis on the risks of investing and the protection therefore required rather than benefits or necessity of a consumer to have access to investing. As DUFAS, we would therefore rather **encourage the European Commission to develop a holistic approach how the retail investment framework could be improved, and more in particular how retail investors can get easier access and trust to the investor market whilst at the same time ensuring investor protection.**

In The Netherlands direct retail investor participation is relatively low around 20%. Many of those investors, especially the younger ones, see investments as a game of speculation. Others think investments are really complex and only accessible for the wealthy. Hence, we do believe that the future framework should be more **designed to enable the consumer, particularly also those with a smaller budget. It also should stimulate people to invest for the longer term.** This could for example be achieved **by introducing a concept that investing in certain *default* investment products is a suitable manner of generating income for later apart from or next to savings.** Examples of such products could be non-complex ETFs/index trackers or other non-complex investment funds. The retail investors protection rules should clearly distinguish between such *default* products and products which are more of a speculative nature. In the perception of the average consumer, such distinction is not being made. This is particularly in the context and comparing such products

with products that nowadays seems much more accessible to retail investors such as online platforms, apps for sale of CFDs and unregulated bitcoins. Furthermore, DUFAS believes that the set-up of the framework should take into consideration the manner in which particularly younger potential investors consume information and use digital channels and social media. The framework should acknowledge this and should be more adaptive to this reality.

- **Adequate protection**

Financial literacy

DUFAS believes that an investor protection framework should be supported by enhancing financial literacy amongst consumers. We believe that investing should be considered as being part of one of the building blocks for any consumer to reach their goals, particularly building up pension. As such consumers should have easy access to relatively simple and standardized products that enable them to reach long term goals. Financial education should therefore be part of even be the starting point for any retail investment strategy. That may already start at (high) schools.

Role of governments & NCAs

We believe that next to the financial sector an important role for increasing financial literacy can be performed by European and national governments, including NCA's. Some NCAs already have done some, e.g. the FSMA by launching a financial education site: Wikifin. Financial education should be designed to educate consumers in both possibilities and risks in investing.

Financial education should also be designed to distinguish the concept of investing in a relatively safe manner and on the long term in contrast to the concept of speculation or gambling. Needless to say, a discussion may arise which type of investing should be considered simple, relatively safe and which are not. But surely, a distinction can be made between investment products that serves the goals of a consumer on a longer term as opposed to complex speculative products which does not meet the needs of an averaged consumer.

Proposal: DUFAS believes that governments should make enhancing financial literacy a priority and distinguish between target audiences and ways in which this is done. This could start by educate children/teens at school and provide proper and accessible information to adults etc From that perspective we believe that the EC can also play a coordinating role and could come up with best practices.

Disclosure framework

DUFAS supports a framework of European investor protection. Proper disclosures are crucial. However, we believe that the rules are on one hand too complex and too detailed and on the other differentiate not enough between type of investment products. Furthermore, we also need to consider that from various even scientific research, it is clear that retail information documents are not well understood, but more importantly are not being read often by retail investors. Not even if it concerns a few pages such as a PRIIPs KID and the UCITS KIID. The information overload does not benefit the retail investor and all upcoming sustainability disclosures are not helping in this respect. Information overload may even be detrimental for the retail investor as the overload of such information may even create a distrust amongst retail investors. The objective of the current framework which tries to diminish or even clear the information asymmetry between consumer and professional seems to have failed. We doubt therefore whether addressing and diminishing information asymmetry should still be one of the main drivers of the disclosure framework. More importantly, disclosure framework should take into consideration the manner in which particularly younger potential investors consume information and use digital channels and social media. The framework should acknowledge this and should be more adaptive to this reality. This distinction is also important for the financial literacy part.

From that perspective, we call upon the EC to reconsider disclosures that have proven to be a little added value to retail investors. See e.g. the information requirements on 10% loss reporting in MiFID II. Such obligation may not be well understood by retail clients and may even be counter effective when being triggered. The same

applies to the level of details on costs and charges. Although, DUFAS definitely sees merit and added value in providing retail clients with MiFID aggregated costs and charges information both on an ex-ante and ex-post basis, we think that the level of detail of this cost information goes far beyond what an average retail investor is either interested in and/or can comprehend.

Proposal: DUFAS proposes to develop a more holistic approach on the disclosure framework focused on different types of investors amongst retail investors. The framework should be designed what information is really needed by which type of retail investor. And more in particular, how does this type of retail investor expects the information to be provided.

From product-orientated solutions to client-oriented solutions

We also believe that the focus of the retail investment strategy should shift from product-oriented solutions to client-oriented solutions. Regulation should be more focused on total solutions for the citizen for its wealth accumulation or for its retirement provision. The current framework is too divided into 'silos', which may still lead to product-oriented solutions. It is important that legislation should shift to a more customer-oriented framework and move away from a product-oriented one. For example, if a client asks for a total solution for its retirement, a client take on should consist of a broad inventory of possible solutions, which varies from savings, investing, insurance etc. The silo's of EU legislation may cause a client to be confronted with a variety of different advisors each responsible for a specific type of service or product. This also may lead to an overload of disclosures for each different type of product or service, which may not provide the necessary insight in the entire retirement solution offered. Having said this, this does not mean that amendments on the product level regulations should be discarded. On the contrary. However, the design of the framework should be set up from the perspective of the consumer.

- **Bias-free advice and fair treatment**

Trust in the financial advisor & advisor GAP

Particularly in the Netherlands advisory services for the mass retail, i.e. smaller budgets, are nonexistent. This may be a result of the full inducements ban introduced in 2014, but at the same time the currently tight regulatory framework is not suited for offering advisory services for the smaller budgets. It is also not suited to build into cost-efficient and modern digital apps. The latter may explain why digital advice via an app is virtually non-existent in the Netherlands.

Nonetheless, we believe that trust of the consumer in the investment advisor and availability of advice is key. However at the same time, consumer, particularly, young retail investors, tend to follow investment advice from influencers and other well-known people. Not only because of the costs of traditional advisory services, but also that is the way youngsters are being fed by information. Although we believe that some influencers may be of good faith and may have a positive influence, we also see influencers in the market where the opposite is true. This is a concern, and at the same time contrast the investment advisor which is heavily regulated.

Do we need to address the advisor GAP? If not possible given the framework, and the lack of willingness or ability for investment advice, more flexibility should be sought where retail investors trade on execution only platforms or apps. The possibility of providing and allowing more guidance with such services, without the danger of such service being qualified as being investment advice, should be one the possible solutions to explore. Default non-complex relatively safe investment products suitable for investing on for a long term may be the appropriate products for such potential guided execution only regime.

- **Open markets with a variety of competitive and cost-efficient financial services and products**

Label

We believe the current framework is not designed to clarify that investing in certain investment products is a suitable manner of generating income for later apart from savings. Instead the framework is designed to the contrary. As said, we believe that consumers should have easy access to relatively simple and standardized products that enable them to reach their goals, particularly building up pension. Non-complex investment funds, and simple ETFs in particular, should benefit of a 'label' which is designed to give comfort to consumers that such products are relatively safe for investing in a longer term. Such products could be designed to be a default option for possible investors who wish to invest (i) well spread and diversified portfolio, (ii) for the long term, and (iii) against efficient costs. However, where this may lead to a "physical" labelling, we believe that the EU needs to develop an European label strategy on the long term in order to address the current fragmentation in the European market, particularly what we are seeing with regards to the various ESG labels.

- **Transparent, comparable and understandable product information.**

Information overload

DUFAS supports the idea and concept of transparent, comparable and understandable investor product, and accompanying information. However, we also believe that the overload of detailed investor information which is currently the outcome of various EU legislation will not be helpful for a consumer. On the contrary. From various consumer research conducted by *inter alia* ourselves and e.g. University of Groningen the average retail investors does not read any or all of the investor information available. Moreover, comprehensive information requirements are not suited for investing via readily accessible digital channels which attracts particularly younger potential investors.

Marketing

Furthermore, the current EU investor protection framework does not sufficiently differentiate between the type of investment products available in the market. Moreover, in the perception of retail investors access to investing in for example bitcoins and CFDs may even be easier than access to non-complex investment funds, including simple ETFs. This is also due to the role of FinTech that play a role in marketing such products. In addition, marketing of providers 'investing for free' should be addressed. There is no such thing as investing for free. In short, the framework should be designed as such that the accessibility to relative safe and non-complex investment products should be put in a better position than unregulated risky products, such as for example bitcoins. Currently, we see that the younger investor is attracted to more such risky products, also because investor protection safeguards seems to be absent, and the accessibility to such products are rather high.

Complex versus non-complex

DUFAS does believe that differentiation between type of products determines which rules are applicable or not. However, we do believe that the distinction is not fully calibrated. Certain products, such as liquid AIFs, are being considered to be complex products according to ESMA, whilst such products may be equally suitable for mass retail distribution via non-advised sales, as non-complex UCITS. The distinction may also feed into the discussion of introducing so-called default products.

- **Digitalisation**

Digital channels, apps in particular, is certainly a means for an easy access of the retail investor to the investing. However, the information overload may also hamper such access. Instead, one should consider alternative digital solutions to address this. Information dissemination of PRIIPs content via for example digital comparison tools enables a retail investor to compare products, and could be a better alternative than providing investor information via mandatory PRIIPs KID in a pdf format. The framework should therefore more adaptive in the manner particularly younger people access information and use digital channels and social media.

- **Sustainability**

DUFAS believes that sustainable investing is crucial for further development of the European retail investment market. Research shows that particularly younger generations are willing to invest in a sustainable world, even if this may not be reflected in higher returns (see AFM research).

Crucial for this is a common understanding what is considered to be a sustainable investment and which is not. Obviously, particularly, the SFDR will play an important role in providing information to stakeholders, including retail investors, on sustainable investing. However, the current information framework, SFDR and Taxonomy, combined with the traditional information framework, prospectus, PRIIPs, MIFID etc. is not suited for the information purposes of (potential) retail investors. Far too much detailed and technical information contained in various separate documents is not helpful for the average retail investor.

Hence, we call upon the European Commission to redesign the current investor information framework and in particular on sustainable investing. Existing mechanism may be used, key information documents, but apart from the EU Ecolabel which is currently being developed, a more generic sustainability label with more variations in shades of green, should be developed. Essentially, we believe that the EC needs to develop an European label strategy on the long term in order to address the current fragmentation of (national) ESG labels in the European market.

3 August 2021

DUFAS

RESPONSE TO QUESTIONS:

1. GENERAL QUESTIONS

Current EU rules regarding retail investors (e.g. UCITS (undertakings for the collective investment in transferable securities), PRIIPs (packaged retail investment and insurance products), MiFID II (Markets in Financial Instruments Directive), IDD (Insurance Distribution Directive), PEPP (Pan European Pension Product) or Solvency II (Directive on the taking-up and pursuit of the business of insurance and reinsurance)) aim at empowering investors, in particular by creating transparency of the key features of investment and insurance products but also at protecting them, for example through safeguards against mis-selling.

Question 1.1 Does the EU retail investor protection framework sufficiently empower and protect retail investors when they invest in capital markets?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 1.1 and provide examples

DUFAS supports the objectives of the EU investor protection framework. Enhancing investor protection is essential for the proper functioning of European capital markets. However, we doubt whether the current retail framework really empowers consumers to invest for building e.g. their pension for later. As said one of the goals of the CMU is encouraging consumers to save and invest in capital markets. The future framework should reflect that whilst the current one seems to suggest that investing may as such not be perceived as a suitable manner of generating income for later.

Detail of level of rules

We question whether the comprehensive and complex level of detail of the EU investor protection framework ensuing from MiFID, PRIIPs etc., inter alia via level 3 ESMA Q&As, is always proven to be beneficial for the protection of the retail investor. In other words, it may be questioned whether the increased transparency and reporting toward the retail investor, given the level of detail, contributes to a better understanding of the retail client of investing and investment products, or indeed contributes to a decrease of information asymmetries for all types of investors. Please find below some examples that illustrate this:

- Detailed rules for retail clients on costs and charges: although DUFAS definitely sees merit and added value in providing retail clients with MiFID aggregated costs and charges information both on an ex-ante and ex-post basis, we think that the level of detail of this cost information goes far beyond what an average retail investor is either interested in and/or can comprehend. Hence we advocate to lower the level of detail of the costs and charges requirements and also shift the focus on such information from the transaction level, which provides far too much detail, to an overall portfolio level.
- 10% loss reporting: another example relates to the MiFID '10% loss reporting obligation. For retail investors may not contribute to more investor protection. Particularly, where such reporting is triggered for non-advised portfolios and also connected to certain leveraged instruments, the question arises whether such reporting really adds to the concept of more investor protection. The losses in investment portfolios resulting from the global COVID-19 crisis may provide an example to learn whether or not such reporting really has added value. Most of our members confirm that even

in times of the COVID-19 this is not the case, as clients did not act upon such reports or did not understand how such report should be read into context. Such reporting looks rather ineffective. Direct contact with clients in a crisis is much more effective and appreciated instead of standardized reporting. Eventually, where clients may have a need for such reporting, it should be possible to agree upon such reporting on a bilateral basis between the client and the investment firm rather than impose such reporting as a mandatory standard.

Alignment with retail investor needs

But more in general, the investor protection rules should be much more aligned with the needs and perception on investing by retail investors. This means that the framework may not empower the retail investor in full.

More in particular, direct retail investor participation is relatively low, at least that is the case in the Netherlands, being around 20%. This may obviously not attributed to the framework only, but we feel that the retail investor framework should much more focus on barriers consumers facing when entering the investment markets while at the same time providing a protection framework as optimal as possible. We believe that there is an opportunity cost of not investing, which can have a significant impact on people's standard of living in retirement. The framework should seek a balance between empowerment of the consumer for building pension for later on one hand and an investor protection scheme on the other hand. In the current framework there is too much focus on investment risks and also on e.g. costs of investment products, whilst it does not reflect the benefits of investment products. There should also be more guidance for the consumer to distinguish the lower risk/longer term investment solutions from the high risk/speculative ones. One of the goals of the CMU is encouraging consumers to save and invest in capital markets. The retail investor framework should reflect that. In addition, as the EC has stated that retail investors/consumers find sustainable investing.

While aimed at protecting retail investors, some rules may require specific procedures to be followed (e.g. the need to use investment advice and complete a suitability assessment) or may limit investment by retail investors (e.g. by warning against purchase of certain investment products or even completely prohibiting access).

Question 1.2 Are the existing limitations justified, or might they unduly hinder retail investor participation in capital markets?

- Yes, they are justified
- No, they unduly hinder retail investor participation
- Don't know / no opinion / not applicable

Please explain your answer to question 1.2

As mentioned DUFAS supports the objectives of the EU investor protection framework. Enhancing investor protection is essential for the proper functioning of European capital markets. Although, we understand the need for the current investor protection framework, we do find that certain limitations imposed by this framework may hinder retail investor participation in the capital markets, such as for example marketing rules and various disclosure requirements. The direct result of investor protection rules are driven by the need to regulate certain product types and intermediaries. While product regulation of retail products such as UCITS has been an undeniable success in the future, we need to look carefully at the framework for incentives to investing and ensure we remove unnecessarily barriers or confusion which prevent investors taking steps to plan for the future.

Though warnings for the risk of investing is important, risk warnings may put off investors where this may be less necessary for investments products, such as index trackers or other non-complex investment funds, whilst a retail investor is not confronted with such level of risk warning for unregulated instruments, such as crypto currency.

More in general, we believe that the EU Retail Investment framework should enable access for small investors to appropriate and affordable investment products, such as investment funds. We should stimulate them to invest on the longer term in a diversified portfolio with moderate costs.

Furthermore, we advise to increase the effectiveness of information obligations by increasingly using consumer panels and scientific insights. Investor education and providing information in a modern and contemporary way by taking into account how investors are obtaining and gathering information. We should think of reconsidering alternative means for disclosure, such as alternative media e.g. videos instead of 4-pagers in PDF format. Also take into account financial 'illiteracy.' But also ensure making information more user friendly available on smartphone/tablet as this is how people access information today and in the future. The disclosure framework should take into consideration the manner in which particularly younger potential investors consume information and use digital channels and social media. The framework should acknowledge this and should be more adaptive to this reality.

Question 1.3 Are there any retail investment products that retail investors are prevented from buying in the EU due to constraints linked to existing EU regulation?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 1.3

First of all, in the Netherlands, a majority of retail investors invest on an execution only basis, i.e. non-advised basis. Most major Dutch distributors often offer investment funds on an execution only basis without the necessity of having an appropriateness test in place. In such case, investment funds that are considered to be complex product are not sold via such distribution platform or channel. According to ESMA's Q&As simple Retail AIFs are also considered to be complex, irrespective whether they qualify for the test set forth in Article 57 of the MiFID II Delegated Regulation. DUFAS is of the opinion that these funds should also be allowed to be sold through execution-only channels without the appropriateness assessment. To prevent such products from being able to be considered against the Article 57 of the MiFID II Delegated Act test not only misunderstands the breadth of the AIF universe but also effectively nullifies a provision in Regulation. Hence, although MiFID regulation does not prevent retail investors for buying certain products, such as certain retail AIFs, in practice this may be the case nonetheless, because of certain constraints imposed.

Secondly, obviously the PRIIPs KID regulation prevents retail investors to buy certain investment products which are retail suited, but because of the absence of having a KID, these cannot be sold in The Netherlands or the EU for that matter. Furthermore, even if an English language KID is available, such product cannot be sold in the Netherlands, when an Dutch translation of such KID is not available.

Question 1.4 What do you consider to be factors which might discourage or prevent retail investors from investing?

	1 (Strongly disagree)	2 (Disagree)	3 (Neutral)	4 (Agree)	5 (Strongly Agree)	Don't know No opinion Not applicable
Lack of understanding by retail investors of products?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of understanding of products by advisers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Lack of trust in products?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
High entry or management costs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of access to reliable, independent advice?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of access to redress?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Concerns about the risks of investing?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Uncertainties about expected returns?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Lack of available information about products in other EU Member States?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Please specify what other factor(s) might discourage or prevent retail investors from investing

In 2020 DUFAS conducted together with Amundi and Beautiful Lives an extensive and comprehensive research under retail investors what prevents consumers from investing. From this research 7 key barriers why consumers do not invest were identified. They are summarized in this 1,5 minute [video](#). The first two barriers relate to 'identity'. Consumers did say that 'investing is not my world' (barrier 1) and 'investing is not a means to reach my life goals' (barrier 2). The second barriers relate to costs & benefit. Consumers argued that 'investing is not worth the risk' (barrier 3) and investing is not for small amounts (barrier 4). The third cluster of barriers relate to the capabilities of the consumer. Investing is hard to

understand (barrier 5) and investing is too complex to master (barrier 6). The 7th barrier – overarching barrier- relates to investing is non-transparent on sustainability’

Question 1.5 Do you consider that products available to retail investors in the EU are:

	1 (Strongly disagree)	2 (Disagree)	3 (Neutral)	4 (Agree)	5 (Strongly Agree)	Don't know No opinion Not applicable
Sufficiently accessible	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Understandable for retail investors	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Easy for retail investors to compare with other products	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Offered at competitively priced conditions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Offered alongside a sufficient range of competitive products	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Adapted to modern (e.g. digital) channels	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Adapted to Environmental, Social and Governance (ESG) criteria	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Question 1.6 Among the areas of retail investment policy covered by this consultation, in which area (or areas) would the main scope for improvement lie in order to increase the protection of investors?

Please select as many answers as you like

- financial literacy
- digital innovation,
- disclosure requirements,
- suitability and appropriateness assessment,
- reviewing the framework for investor categorisation,
- inducements and quality of advice,
- addressing the complexity of products,
- redress,

- product intervention powers,
- sustainable investing,
- other

Please explain your answer to question 1.6

More in general, we are somewhat puzzled by the approach of the European Commission towards this new EU retail investment strategy. We definitely encourage the Commission to redesign a holistic view on the EU retail investment strategy. However, given the set-up of the consultation, it seems that the Commission intends to make a number of technical changes of existing rules, such as PRIIPs and MiFID, without a much-needed reassessment of retail investors' role and their participation in EU financial markets and how to properly empower them. Essentially, the result of the different pieces of legislation which are not fully aligned are based on the approach 'more transparency is always good' instead of asking what a retail investor is really looking for.

As to the topics listed.

From research, it is evident that financial illiteracy forms one of the barriers for retail investors to start with investing. In that respect, we do find it important that actions should be addressed to deal with such barriers. Financial literacy is therefore important to address, not only by financial market parties, but by governments and NCAs as well. In addition, we believe that the European Commission should play a coordinating role and should bring best practices together. We suggest that the Commission develop an overarching strategy in collaboration with member states to develop best practices to drive financial health. This would complement actions on financial education by setting out a framework for guidance on core issues of financial health at key life stages by making it easy for people to set up a financial plan which they are actively encouraged to review and update at key life stages (leaving school, starting work, changes in family circumstances, property acquisition, pre and at retirement). The important driver would be a simple set of steps to nudge people into action and effectively counteract risk aversion.

We could support consumers in finding a good long term investment solution by offering 'default funds'. These are diversified portfolios with moderate costs and charges.

Disclosures requirements is obviously also very important for a robust retail investor framework. However, when reviewing the framework, more focus should be on simplifying product information, including the used jargon, and also to focus the level of detail of information, taking into consideration that research shows that retail investors do not often read and/or understand the mandatory investor disclosures. On the contrary. Finally, we believe that sustainable investing, particularly for younger generations, is a fundamental means of a transition to a more sustainable society, and retail investors can and should play a part in this. Proper disclosures are key for this. SFDR is a good start for such investor disclosures, but along the way retail investor disclosures should be made more suitable for the average investor. Combating green washing and developing a system where an average consumer gets more insight in sustainable investing, for example via a granular labelling system, may be crucial.

2. FINANCIAL LITERACY

For many individuals, financial products and services remain complex. To empower individuals to adequately manage their finances as well as invest, it is of crucial importance that they are able to understand the risks and rewards surrounding retail investing, as well as the different options available. However, as shown by the [OECD/INFE 2020 international survey of adult financial literacy](#), many adults have major gaps in understanding basic financial concepts.

While the main responsibility for financial education lies with the Member States, there is scope for Commission initiatives to support and complement their actions. In line with the [2020 Capital Markets Union Action Plan](#), DG FISMA published a [feasibility assessment report](#) and will, together with the OECD, develop a financial competence framework in the EU. In addition, the need for a legislative proposal to require Member States to promote learning measures that support the financial education of individuals, in particular in relation to investing will be assessed.

Question 2.1 Please indicate whether you agree with the following statement. Increased financial literacy will help retail investors to ...

	1 (Strongly disagree)	2 (Disagree)	3 (Neutral)	4 (Agree)	5 (Strongly Agree)	Don't know No opinion Not applicable
Improve their understanding of the nature and main features of financial products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Create realistic expectations about the risk and performance of financial products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increase their participation in financial markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Find objective investment information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Better understand disclosure documents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Better understand professional advice	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Make investment decisions that are in line with their investment needs and objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Follow a long-term investment strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--	--------------------------	--------------------------	--------------------------	-------------------------------------	--------------------------	--------------------------

Question 2.2 Which further measures aimed at increasing financial literacy (e.g. in order to promote the OECD/Commission financial literacy competence framework) might be pursued at EU level?

Please explain your answer (taking into account that the main responsibility for financial education lies with Member States).

We believe that next to the financial sector, an important role for increasing financial literacy can be performed by European and national governments, including NCA's. Financial education should be designed to educate consumers in possibilities, but also risks in investing. Financial education should also be designed to distinguish the concept of investing in a relatively safe manner in contrast to the concept of speculation or gambling. Needless to say, a discussion may arise which type of investing should be considered relatively safe and which are not. But surely, a distinction can be made between an investment in an ETF on the AEX or world index as opposed to an investment in a leveraged derivative. Financial education also by NCAs may play an important role in explaining such notion.

NCAs and governments should focus their efforts and way of working. They should set the target audience, but should refrain from developing on single approach for every different target audience.

As indicated before, we believe that the European Commission should play a coordinating role and should bring best practices together. We suggest that the Commission develop an overarching strategy in collaboration with member states to develop best practices to drive financial health. This would complement actions on financial education by setting out a framework for guidance on core issues of financial health at key life stages by making it easy for people to set up a financial plan which they are actively encouraged to review and update at key life stages(leaving school, starting work, changes in family circumstances, property acquisition, pre and at retirement). The important driver would a simple sets of steps to nudge people into action and effectively counteract risk aversion.

3. DIGITAL INNOVATION

Digitalisation and technological innovation and the increasing popularity of investment apps and web-based platforms are having profound impacts on the way people invest, creating new opportunities (e.g. in terms of easier access to investment products and capital markets, easier comparability, lower costs, etc.). However technological change can also carry risks for consumers (e.g. easier access to potentially riskier products). These changes may pose challenges to existing retail investors, while investor protection rules may no longer be fit for purpose.

Open finance, (i.e. giving greater access to customer data held by financial institutions to third party service providers to enable them to offer more personalised services) can, in the field of investment services, lead to better financial products, better targeted advice and improved access for consumers and greater efficiency in business-to-business transactions. In the [September 2020 digital finance strategy](#), the Commission

announced its intention to propose legislation on a broader open finance framework.

Question 3.1 What might be the benefits or potential risks of an open finance approach (i.e. similar to that developed in the field of payment services which allowed greater access by third party providers to customer payment account information) in the field of retail investments (e.g. enabling more competition, tailored advice, data privacy, etc.)?

Please explain your answer

Open finance is understood as the ability of firms to access information. In general, we do favour 'open finance' initiatives in the field of (retail) investments. For example, we could see benefits around the currently long onboarding processes for new investment clients that could be simplified by having access to such information in the form of a digital investment ID. Such ID may also facilitate the current lengthy and costly Know-Your-Customer and Anti-Money-Laundering processes that accompany this process. We therefore welcome the Commission's recent initiative on digital ID and we encourage its further adoption into other processes to reduce much of the laborious and time consuming account opening procedures many investors experience and which constitute a barrier to empowering investors.

The same applies to specific client data, such data which enables and facilitates the current suitability and appropriateness tests under MiFID. This may allow financial firms to provide retail investors with potential investment solutions much quicker than currently is the case. Needless to say important issues around data privacy and data protection should be considered as well.

Question 3.2 What new tools or services might be enabled through open finance or other technological innovation (e.g. digital identity) in the financial sector?

Please explain your answer

By making the contents of publicly available documentation machine-readable, the data within them can be easily extracted and used for various purposes, such as aggregation, comparison, or analysis. In the field of retail investment, examples would include portfolio management apps, robo advisors, comparison websites, pension dashboards, etc. DG FISMA has already started work in this area in the context of the European Single Access Point. Machine-readability is also required by newly proposed legislation, such as the Markets in Crypto-Assets Regulation (MiCA), whilst legacy legal framework will need adaptation.

In the field of retail investment, applicable EU legislation does not currently require documents to be machine-readable. However, some private initiatives are already demonstrating that there is interest from market actors in more standardisation and machine-readability of the data provided within existing retail investment information documents, such as the PRIIPs KID or MiFID disclosures. Requiring machine readability of disclosure documents from scratch could help to open business opportunities for third parties, for example by catering to the needs of advisers and retail investors who prefer direct access to execution only venues.

Question 3.3 Should the information available in various pre-contractual disclosure documents be machine-readable?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 3.3

Yes, DUFAS is of the opinion that machine-readable information will definitely help the retail investor in finding the appropriate information. For example, a financial product selector, i.e. a tooling system or database, comprising *inter alia* the PRIIPs KID information of various available financial products, based on which an investor can compare and select financial products, may be more meaningful for a retail investor than imposing an obligation on the distributor firm to provide standalone pdfs. From that perspective, we do support any alternative solutions which takes into account that the differences in disseminating for example PRIIPs information or other mandatory investor information in an offline environment, e.g. face-to-face contact vis-à-vis an online environment, e.g. investment apps, whilst at the same time ensuring investor protection. Machine-readable information is a precondition for disseminating such investor information.

Furthermore, if any mandatory retail investor information, such as a PRIIPs KID, or in any event the information contained in the PRIIPs KID, can be published in another form, this would be very helpful. Extracting PRIIPs information from for example an IT tool may be much more suited for a consumer that invest via an online or another digital solutions. In practice, where PRIIPs information can be uploaded into a database, based on which e.g. an investment fund selector can be build, this would certainly add value to a retail investor. It enables the investor to better compare PRIIPs products, its characteristics in particular, in a digital environment. Something which in an off line situation is more complex and time consuming to achieve.

Ultimately therefore, pre-contractual disclosure documents being machine readable information should also be digitally accessible and allow for interactivity to empower and engage consumers.

Rules on marketing and advertising of investment products remain predominantly a national competence, bound up in civil and national consumer protection law, although the [2019 legislative package on cross-border distribution of investment funds](#) does remove some cross-border national barriers.

Question 3.4 Given the increasing use of digital media, would you consider that having different rules on marketing and advertising of investment products constitutes an obstacle for retail investors to access investment products in other EU markets?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 3.4

DUFAS believes that a level playing field between financial market parties operating within the EU should exist. This also means that marketing and advertising of investment products should be harmonized as much as possible. Less strict national rules on marketing should not favour certain financial market parties to easily enter another member states market or the other way around. Moreover, the question arises whether the different rules on marketing and advertising of investment products may constitute an obstacle for retail investors to access investment products in other EU markets. Possible lack of familiarity with investment products outside the home market may be more relevant in this respect.

Under MiFID product governance rules, which also regulate marketing communication, firms are prevented from presenting products in ways which might mislead clients (e.g. the information should not disguise, diminish or obscure important items, the information should give a fair and prominent indication of any relevant risks when referencing any potential benefits of a financial instrument, all costs and charges should be disclosed, the nature of the product must be explained, etc.).

Question 3.5 Might there be a need for stricter enforcement of rules on online advertising to protect against possible mis-selling of retail investment products?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 3.5

In general DUFAS believes that the rules on marketing and advertising of investment products should be the same, independent the type of channel, digital or more conventional. Texts such as disclaimers, or the requirement of mentioning compulsory elements of the fund/product in all marketing communications, do not always adequately take into account the on-line aspects of marketing communications as they can be very short & the presentation (screen) limited. The overriding principles should therefore apply to that type of communication, in that it should be fit to the size and format – but still is fair, clear and not misleading. As such we propose to allow for a more principle based approach, which would also fit to be applicable to future communication solutions. [Source: DUFAS response ESMA Consultation Paper Guidelines on marketing communications under the Regulation on cross-border distribution of funds, 8 February 2021]

From research conducted by DUFAS together with Amundi and Beautiful Lives amongst consumers, one of the main barriers for people to build their own financial future, is that investing is perceived as risky and uncertain, and therefore falls out of tone with options that offer more certainty, such as saving, own housing and collective pension scheme. Various prominent mandatory risk warnings adds to this perception.

We therefore think that online advertising may be too strict if they do not differentiate between the product advertised. Particularly risk warnings may have a deterrent effect on potential investors and hence may form an unnecessary obstacle for retail investors to access investment products, particularly where no distinction is being made between e.g. index investment funds on one hand and leveraged complex derivatives on the other hand. We do think therefore that given the need and necessity for consumers to

build their own pension, we need to rethink the warning system as it is currently developed.

Question 3.6 Would you see a need for further EU coordination/harmonisation of national rules on online advertising and marketing of investment products?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 3.6, including which rules would require particular attention:

Yes, in general DUFAS agree that national rules on online advertising and marketing of investment products should be harmonized within the EU as much as possible. In that respect we support the efforts of ESMA trying to converge guidelines on marketing communications. The ESMA report "*Report Marketing requirements and marketing communications under the Regulation on cross-border distribution of funds*" published on 1 July provides a first overview of national rules governing fund marketing and stresses the need for more harmonization.

In February 2021, in the context of speculative trading of GameStop shares, [ESMA issued a statement](#) urging retail investors to be careful when taking investment decisions based exclusively on information from social media and other unregulated online platforms, if they cannot verify the reliability and quality of that information.

Question 3.7 How important is the role played by social media platforms in influencing retail investment behaviour (e.g. in facilitating communication between retail investors, but also increasing herding behaviour among investors or for large financial players to collect data on interest in certain stocks or financial products)?

- Not at all important
 Rather not important
 Neutral
 Somewhat important
 Very important
 Don't know / no opinion / not applicable

Please explain your answer to question 3.7:

We believe that trust of the consumer in investment advisor or portfolio manager and availability is key. However at the same time, consumer, particularly, young retail investors, tend to follow investment advice from influencers and other well-known people. Not only because of the costs of traditional advisory services, but also that is the way youngsters are being fed by information. Although we believe that some influencers may be of good faith and may have a positive influence, we also see influencers in the market

where the opposite is true. Hence, we do recognize the role played by social media platforms in influencing retail investment behaviour. This may be a concern, as at the same time competes in sometimes an unfair way with the investment advisor or financial institution which are heavily regulated.

Question 3.8 Social media platforms may be used as a vehicle by some users to help disseminate investment related information and may also pose risks for retail investment, e.g. if retail investors rely on unverified information or on information not appropriate to their individual situation. How high do you consider this risk?

- Not at all significant
- Rather not significant
- Neutral
- Somewhat significant
- Very significant
- Don't know / no opinion / not applicable

We believe that trust of the consumer in investment advisor or portfolio manager and availability is key. However at the same time, consumer, particularly, young retail investors, tend to follow investment advice from influencers and other well-known people. Not only because of the costs of traditional advisory services, but also that is the way youngsters are being fed by information. Although we believe that some influencers may be of good faith and may have a positive influence, we also see influencers in the market where the opposite is true. Hence, we do recognize the role played by social media platforms in influencing retail investment behaviour. This may be a concern, as at the same time competes in sometimes an unfair way with the investment advisor or financial institution which are heavily regulated.

[MiFID II](#) regulates the provision of investment advice and marketing communication suggesting, explicitly or implicitly, an investment strategy. Information about investment opportunities are increasingly circulating via social media, which can prompt people to decide to invest on the basis of information that is unverified, may be incorrect or unsuited to the individual customer situation. This information may be circulated by individuals without proper qualification or authorisation to do so. The [Market Abuse Regulation \(MAR\)](#) also contains provisions which forbid the dissemination of false information and forbid collaboration between persons (e.g. brokers recommending a trading strategy) to commit market abuse.

Question 3.9 Do the rules need to be reinforced at EU level with respect to dissemination of investment related information via social media platforms?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 3.9:

There should be a balance with respect to dissemination of investment related information via social media platforms which provides more easy access of the consumer, whilst at the same time there are no protection safeguards. From that perspective, it should be clear that for regulated entities it is possible to use social media as a communication channel. For unregulated entities such as influencers perhaps some sort of regulation needs to be put in place or it should fall within the scope of current legislation. Essentially, this may not be an issue of enforcement, but rather a an issue of setting the rules for dissemination of investment related information via social media platforms.

On-line investment brokers, platforms or apps, which offer execution only services to retail investors, are subject to the relevant investor protection rules for such services under the MiFID framework. While such on-line investment platforms may offer advantages for retail investors, including a low level of fees and the ease of access to a large variety of investment products, such platforms may also present risks, e.g. in case of inadequacy of appropriateness checks, lack of understanding of individual investors lack or inadequate disclosure of costs.

Question 3.10 Do you consider that retail investors are adequately protected when purchasing retail investments on-line, or do the current EU rules need to be updated?

- Yes, the consumers are adequately protected
- No, the rules need to be updated
- Don't know / no opinion / not applicable

Please explain your answer to question 3.10:

It is hard to say whether retail investors are adequately protected when purchasing retail investments on-line. In any event, harmonisation across Europe on application and supervision of the investor protection rules is key. The difference between invest protection rules, particularly in on online environment becomes more clear where NCAs provide different interpretations of the applicable framework.

Question 3.11 When products are offered online (e.g. on comparison websites, apps, online brokers, etc.) how important is it that lower risk or not overly complex products appear first on listings?

- Not at all important
- Rather not important
- Neutral
- Somewhat important
- Very important
- Don't know / no opinion / not applicable

Please explain your answer to question 3.11:

DUFAS does not think that when products are offered online, lower risk or not overly complex products

should appear first on listings. We find it more important that risk warnings and mandatory information is more balanced when you compare complex risk products with non-complex lower risk products. For example, risk warnings that you can lose your entire investment may in theory be true, but when you e.g. invest in an index tracking fund, the probability that such risk occurs is zero, whilst that may not be the case where you trade in complex leveraged derivatives. More granularity in terms of risk warnings is essential to obtain trust from a starting retail investor. We could support consumers in finding a long term investment solutions by labelling products as 'default funds'. These are diversified portfolios with moderate costs and charges.

4. DISCLOSURE REQUIREMENTS

Rules on pre-contractual and on-going disclosure requirements are set out for different products in [MiFID II](#), the [Insurance Distribution Directive](#), [AIFMD \(Alternative Investment Fund Managers Directive\)](#), [UCITS](#), [PEPP](#) and the [Solvency II](#) framework, as well as in horizontal EU legislation (e.g. [PRIIPs](#) or the [Distance Marketing Directive](#)) and national legislation. The rules can differ from one instrument to another, which may render comparison of different products more difficult.

Question 4.1 Do you consider that pre-contractual disclosure documentation for retail investments, in cases where no Key Information Document is provided, enables adequate understanding of:

	1 (Strongly disagree)	2 (Disagree)	3 (Neutral)	4 (Agree)	5 (Strongly Agree)	Don't know No opinion Not applicable
<i>The nature and functioning of the product</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>The costs associated with the product</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>The expected returns under different market conditions</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>The risks associated with the product</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please explain your answer to question 4.1:

In way, precontractual information, other than a Key Information Document, such as prospectuses and fact sheets, do often contain adequate information for retail investor. However, from research we should

recognize that an average retail investor does not normally read a prospectus nor does it even read very often a Key Information Document. This does not mean that financial market parties should not be obliged to provide such information, but focus should be on how we can ensure that retail investors will read such information or can acquire such information in an easy consumable manner. What are the factors that enable and make a retail investor read such information. Adaptation of the disclosure framework to digital channels and tools is key.

DUFAS therefore recognizes the need for having e.g. prospectuses as a precontractual information document, but the retail framework should provide more flexibility and should be more adaptable to the way potential investors consume information. Hence, that is the reason why we ticked the box neutral. Information referred to may be more consumed by investors via digital comparison tools.

Question 4.2 Please assess the different elements for each of the following pieces of legislation:

Question 4.2.1 PRIIPs Key Information Document

Question 4.2.1 a) PRIIPs: Is the pre-contractual information provided to retail investors for each of the elements below sufficiently understandable and reliable so as to help them take retail investment decisions? Please assess the level of understandability:

	1 (very low)	2 (rather low)	3 (Neutral)	4 (rather high)	5 (very high)	Don't know No opinion Not applicable
PRIIPs Key Information Document (as a whole)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information about the type, objectives and functioning of the product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on the risk-profile of the product, and the summary risk indicator	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information about product performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on cost and charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on sustainability-	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

aspects of the product						
------------------------	--	--	--	--	--	--

Question 4.2.1 b) PRIIPS: Is the pre-contractual information provided to retail investors for each of the elements below sufficiently reliable so as to help them take retail investment decisions? Please assess the level of reliability:

	1 (very low)	2 (rather low)	3 (Neutral)	4 (rather high)	5 (very high)	Don't know No opinion Not applicable
PRIIPs Key Information Document (as a whole)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information about the type, objectives and functioning of the product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on the risk-profile of the product, and the summary risk indicator	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information about product performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on cost and charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on sustainability-aspects of the product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Question 4.2.1 c) PRIIPS: Is the amount of information provided for each of the elements below insufficient, adequate, or excessive?

	1 (insufficient)	2 (adequate)	3 (excessive)	Don't know No opinion Not applicable
PRIIPs Key Information Document (as a whole)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information about the type, objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

and functioning of the product				
Information on the risk-profile of the product, and the summary risk indicator	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information about product performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on cost and charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on sustainability-aspects of the product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Please explain your answer to question 4.2.1:

First of all, although DUFAS believes that the PRIIPs KID is a very useful and probably a necessity to ensure investor protection, at the same time various research have shown that PRIIPs KID is normally not the document which is the basis of the investment decision of the retail investor. This follows for example from Dutch research which has been conducted by Carien de Jager, Assistant Professor at the department of Private Law and Notary Law at the University of Groningen. From her scientific research “Consumer protection by information?”(2018) on financial information documents, such as e.g. the UCITS KIID, she concluded that most retail investors for various reasons do not always read the information documents, let alone understand it or compare it with other products, before making his or her investment decision. This may imply that the strict rule that the PRIIPs KID must actively be submitted to the client, rather than that the PRIIPs KID needs to be held available on public designated websites, should be reconsidered and perhaps be replaced by alternative solutions. As Carien de Jager, indicated in her research, solutions should be sought based on a clear idea of the average consumer, i.e. retail investor, and the decision making strategies of such investor, which is normally not based upon financial information documents. Such research make clear that is important to redesign the disclosure framework and searching for alternatives. The current static paper based format of the KID no longer meets investor needs who increasingly require interactive digital formats with information layered to render it more accessible rather than overloading them with information. We welcome the more interactive approach shown by the PEPP KID in this respect.

Question 4.2.2 Insurance Product Information Document

Question 4.2.2 a) IDD: Is the pre-contractual information provided to retail investors for each of the elements below sufficiently understandable and reliable so as to help them take retail investment decisions? Please assess the level of understandability:

	1 (very low)	2 (rather low)	3 (Neutral)	4 (rather high)	5 (very high)	Don't know No opinion Not applicable
Insurance Product Information (as a whole)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information about the insurance distributor and its services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information on the insurance product (conditions, coverage, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information on cost and charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Question 4.2.2 b) IDD: Is the pre-contractual information provided to retail investors for each of the elements below sufficiently reliable so as to help them take retail investment decisions? Please assess the level of reliability:

	1 (very low)	2 (rather low)	3 (Neutral)	4 (rather high)	5 (very high)	Don't know No opinion Not applicable
Insurance Product Information (as a whole)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information about the insurance distributor and its services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information on the insurance product (conditions, coverage, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information on cost and charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Question 4.2.2 c) IDD: Is the amount of information provided for each of the elements below insufficient, adequate, or excessive?

	1 (insufficient)	2 (adequate)	3 (excessive)	Don't know No opinion Not applicable
Insurance Product Information (as a whole)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information about the insurance distributor and its services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information on the insurance product (conditions, coverage, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information on cost and charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Please explain your answer to question 4.2.2:

Question 4.2.3 PEPP Key Information Document

Question 4.2.3 a) PEPP: Is the pre-contractual information provided to retail investors for each of the elements below sufficiently understandable and reliable so as to help them take retail investment decisions? Please assess the level of understandability:

	1 (very low)	2 (rather low)	3 (Neutral)	4 (rather high)	5 (very high)	Don't know No opinion Not applicable
PEPP Key Information Document (as a whole)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information about the PEPP provider and its services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information about the safeguarding of investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Information on cost and charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information on the pay-out phase	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Question 4.2.3 b) PEPP: Is the pre-contractual information provided to retail investors for each of the elements below sufficiently reliable so as to help them take retail investment decisions? Please assess the level of reliability:

	1 (very low)	2 (rather low)	3 (Neutral)	4 (rather high)	5 (very high)	Don't know No opinion Not applicable
PEPP Key Information Document (as a whole)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information about the PEPP provider and its services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information about the safeguarding of investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information on cost and charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information on the pay-out phase	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Question 4.2.3 c) PEPP: Is the amount of information provided for each of the elements below insufficient, adequate, or excessive?

	1 (insufficient)	2 (adequate)	3 (excessive)	Don't know No opinion Not applicable
PEPP Key Information Document (as a whole)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information about the PEPP provider and its services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Information about the safeguarding of investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information on cost and charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information on the pay-out phase	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Question 4.3 Do you consider that the language used in pre-contractual documentation made available to retail investors is at an acceptable level of understandability, in particular in terms of avoiding the use of jargon and sector specific terminology?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4.3:

From research it appears that retail investor does not fully grasp of jargon and sector specific terminology used. Whilst we understand that legal jargon used in information disclosure documents should ensure uniform interpretation of such jargon, this may not be well understood by retail investors. Finding the right balance is key.

However, we stress that fund managers are undertaking their best efforts to make pre-contractual documents such as the prospectus, UCITS KIIDs (and PRIIP KIDs in the future) as understandable and jargon-free as possible. However, we this cannot always be achieved due to (i) legal considerations, (ii) high level of predetermined disclosures, such as for example mandatory technical disclaimers defined in the regulatory framework, (iii) overall size limits for the PRIIP KID, which forces fund managers to explain difficult concepts with very few words. This increases the likelihood of using definitions and concepts not that familiar to retail investors.

In this context, we believe that financial education should play an important role, as this allows the use of certain financial concepts to be more easily understood by retail investors.

Question 4.4 At what stage of the retail investor decision making process should the Key Information Document (PRIIPs KID, PEPP KID, Insurance Product Information Document) be provided to the retail investor? Please explain your answer

Question 4.5 Does pre-contractual documentation for retail investments enable a clear comparison between different investment products?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 4.5:

In principle, standardized information document such as the PRIIPs KID is designed to enable the retail investor to compare products. However, in practice because of the design and the requirements to provide such information via a durable medium, i.e. pdf, this is not helpful for an investor to compare products. Digital comparison tooling may be much more helpful instead. Starting point should be the manner in which a potential retail investor nowadays consumes information, and subsequently build an information framework around this. Digital comparison tools, but also labelling & certification, may be enable a consumer to compare between different investment products. The current overload of disclosure framework does not.

Question 4.6 Should pre-contractual documentation for retail investments enable as far as possible a clear comparison between different investment products, including those offered by different financial entities (for example, with one product originating from the insurance sector and another from the investment funds sectors)?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 4.6:

Question 4.7 a) Are you aware of any overlaps, inconsistencies, redundancies, or gaps in the EU disclosure rules (e.g. PRIIPS, MiFID, IDD, PEPP, etc.) with respect to the way product cost information is calculated and presented?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 4.7 a), and indicate which information documents are concerned:

Question 4.7 b) Are you aware of any overlaps, inconsistencies, redundancies, or gaps in the EU disclosure rules (e.g. PRIIPS, MiFID, IDD, PEPP, etc.) with respect to the way risk information is calculated and presented?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4.7 b), and indicate which information documents are concerned:

Question 4.7 c) Are you aware of any overlaps, inconsistencies, redundancies, or gaps in the EU disclosure rules (e.g. PRIIPS, MiFID, IDD, PEPP, etc.) with respect to the way performance information is calculated and presented?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4.7 c), and indicate which information documents are concerned:

Question 4.7 d) Are you aware of any overlaps, inconsistencies, redundancies, or gaps in the EU disclosure rules (e.g. PRIIPS, MiFID, IDD, PEPP, etc.) with respect to other elements?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4.7 c), and indicate which information documents are concerned:

Question 4.8 How important are the following types of product information when considering retail investment products?

	1 (not relevant)	2 (relevant, but not crucial)	3 (essential)	Don't know No opinion Not applicable
Product objectives/main product features	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Costs	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Past performance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Guaranteed returns	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Capital protection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Forward-looking performance expectation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ease with which the product can be converted into cash	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Please specify to what other type(s) of product information you refer in your answer to question 4.8

Please explain your answer to question 4.8

MiFID II has established a comprehensive cost disclosure regime that includes requiring that appropriate

information on costs in relation to financial products as well as investment and ancillary services is provided in good time to the clients (i.e. before any transaction is concluded and on an annual basis, in certain cases).

Question 4.9 Do you consider that the current regime is sufficiently strong to ensure costs and cost impact transparency for retail investors? In particular, would an annual ex post information on costs be useful for retail investors in all cases?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4.9:

We believe that there is merit in informing retail client on the total costs of ownership as currently included in the MiFID costs & charges framework. Both precontractual and as post costs information. We do, however, doubt that the very detailed specification of costs may not have that added value of costs. Explaining and specifying e.g. implicit transactions costs on a transaction-by-transaction basis, is not costs information that necessarily helps a retail investor with its investment decision.

Studies show that due to the complexity of products and the amount of the aggregate pre- contractual information provided to retail investors, there is a risk that investors are not able to absorb all the necessary information due to information overload. This can lead to suboptimal investment decisions.

Question 4.10 What should be the maximum length of the PRIIPs Key Information Document, or a similar pre-contractual disclosure document, in terms of number of words? Please explain your answer:

Question 4.11 How should disclosure requirements for products with more complex structures, such as derivatives and structured products, differ compared to simpler products, for example in terms of additional information to be provided, additional explanations, additional narratives, etc.? Please explain your answer.

We believe that the current EU investor protection framework does not sufficiently differentiate between the type of investment products available in the market. Moreover, in the perception of retail investors access to investing in for example bitcoins and CFDs may even be easier than access to non-complex investment funds, including simple ETF's. This is also due to the role of FinTech that play a role in marketing such products. Furthermore, marketing of providers 'investing for free' should be addressed. There is no such thing as investing for free.

DUFAS does believe that differentiation between type of products determines which rules are applicable or not. However, we do believe that the distinction is not fully calibrated. Certain products, such as liquid AIFs, are being considered to be complex products according to ESMA, whilst such products may be equally suitable for mass retail distribution via non-advised sales, as non-complex UCITS.

We believe that although the current disclosure requirements for products with more complex structures, such as derivatives and structured products, differ compared to simpler products, for a potential retail investor, particularly because of risk warnings etc., the differences may not easily be understood by a consumer. If a standardized risk warning is that you can lose your money entirely, and such risk warning is the same for all investment products, the perception of investing to a consumer is the same. Whilst obviously, the risk of losing all your money by investing in an ETF which tracks a world index is theoretically, whilst this may be different when investing in leveraged derivatives. Essentially, one should differentiate between disclosure requirements in terms of risk warnings for speculative complex products on one hand and non-complex investment funds intended to be sold for the longer term.

Question 4.12 Should distributors of retail financial products be required to make pre-contractual disclosure documents available:

- On paper by default?
- In electronic format by default, but on paper upon request?
- In electronic format only?
- Don't know / no opinion / not applicable

Please explain your answer to question 4.12:

The provision of information in an electronic format by default, but on paper upon request is already the starting point in the MiFID quick fix. We support this approach.

Question 4.13 How important is it that information documents be translated into the official language of the place of distribution?

- Not at all important
- Rather not important
- Neutral
- Somewhat important
- Very important
- Don't know / no opinion / not applicable

Please explain your answer to question 4.13:

DUFAS is of the opinion that it is very important that information documents need to be provided to potential investors in a language such potential investor understand. We believe that goes without saying,

This means that any and all information document intended for the retail market should be translated into the official language of the place of distribution. However, particularly for small markets, such as the Netherlands, and given the circumstances that investors may also be able to read information documents in English, - or even better in case of non-native Dutch speakers, we believe that the provision of information documents in the English language should also be a possibility, presuming the client consents with this. Whilst some investment products for which a PRIIPs KID is required may be well suited for Dutch investors, but cannot be sold here where such KID is not translated into the Dutch language. We believe more flexibility in this regard should exist. From that perspective, we ticked the box as neutral as the main point is that information documents should be provided in a language that the relevant retail investor can read and understand, which does not always necessarily have to be the official language of the place of distribution.

Question 4.14 How can access, readability and intelligibility of pre-contractual retail disclosure documents be improved in order to better help retail investors make investment decisions? Please explain your answer

Providing precontractual information via a pdf, which is in essence what the requirements for e.g. the PRIIPs KID result in, is not an ideal way in getting the retail client to obtain and read contractual documents such as the PRIIPs KID. It does not easily enable retail investors to compare products with each other in an online environment via website or via an app. Alternatively, financial parties should be free in the way they provide or offer precontractual disclosure document such as the PRIIPs KID information. For example a financial product selector, i.e. a tooling system or database, comprising the PRIIPs KID information of various available financial products, based on which an investor can compare and select financial products, may be more meaningful for an investor than standalone pdfs. In other words, the framework should include the possibility for a retail investor to obtain precontractual information via digital comparison tools.

If a PRIIPs KID, or in any event the information contained in the PRIIPs KID, can be published in another form, this would be very helpful for the retail investor. Extracting PRIIPs information from an IT tool may be much more suited for a consumer that invest via an online or another digital solutions. In practice, where PRIIPs information can be uploaded into a database, based on which e.g. an investment fund selector can be build, this would certainly add value to a retail investor. It enables the investor to better compare PRIIPs products, its characteristics in particular, in a digital environment. Something which in an off line situation is more complex and time consuming to achieve. However, this would amend PRIIPs rules how information is being presented to client. This may necessitate to review level 1 PRIIPs.

We believe that on the long run, digital comparison tools are essential for consumers to compare features of products. The disclosure framework should adapt to this.

Question 4.15 When information is disclosed via digital means, how important is it that:

	1 (not at all important)	2 (rather not important)	3 (Neutral)	4 (somewhat important)	5 (very important)	Don't know No opinion Not applicable
There are clear rules to prescribe presentation formats (e.g. readable font size, use of designs/colours, etc.)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Certain key information (e.g. fees, charges, payment of inducements, information relative to performance, etc.) is displayed in ways which highlight the prominence?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Format of the information is adapted to use on different kinds of device (for example through use of layering)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Appropriately labelled and relevant hyperlinks are used to provide access to supplementary information?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Use of hyperlinks is limited (e.g. one click only – no cascade of links)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contracts cannot be concluded until the consumer has scrolled to the end of the document?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other ?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Please specify to what other important element you refer in your answer to question 4.15

Please explain your answer to question 4.15:

We believe that layering seems to be the most realistic approach and an approach that adapts to the needs of the retail investor. This means that the main elements of the information should be showed which give opportunities (such as links) for more, detailed information.

When you start with the key information, perhaps there is no need to display in ways to highlight. We can understand the hesitance of a cascade of links but there is a difference between one, two links and a cascade. You will end up with multiple as SFDR disclosures must be on a specific part of the website and will not be on the same page of the site as the KIDs, cost information etc.

Finally, we have to be mindful that scrolling doesn't say anything about actual reading. Hence, the mechanism that contracts cannot be concluded until the consumer has scrolled to the end of the document, is not a mechanism that really adds to investor protection.

5. THE PRIIPS REGULATION

In accordance with the PRIIPs Regulation, and as part of the retail investment strategy, the Commission is seeking views on the PRIIPs Regulation. In February 2021, [the ESAs agreed on a draft amending Regulatory Technical Standard](#) aimed at improving the delegated regulation. The Commission is now assessing the PRIIPs Regulation level 1 rules, in line with the review clause contained in the Regulation.

Core objectives of the PRIIPs Regulation

Question 5.1 Has the PRIIPs Regulation met the following core objectives:

a) Improving the level of understanding that retail investors have of retail investment products:

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.1 a):

DUFAS believes that the PRIIPs regulation in general improved the level of understanding that retail investors have of retail investment products.

b) Improving the ability of retail investors to compare different retail investment products, both within and among different product types:

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.1 b):

DUFAS believes that the PRIIPs regulation in general improved ability of compare different retail investment products. However, first of all the question arises whether comparing a simple investment fund, with a structured product or an insurance based investment product has always be that helpful to the client. Secondly, the mandatory format, i.e. provision of a KID on a durable medium, i.e. pdf, does not really enable a retail investor to compare products in a readily easy manner.

c) Reducing the frequency of mis-selling of retail investment products and the number of complaints:

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 5.1 c):

d) Enabling retail investors to correctly identify and choose the investment products that are suitable for them, based on their individual sustainability preferences, financial situation, investment objectives and needs and risk tolerance:

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 5.1 d):

At this stage, DUFAS points out that at least the individual sustainability preferences as defined by the European Commission in proposal for a MiFID Delegated Act as published 21 April 2021 is not reflected in the PRIIPs KID yet. Sustainability preferences nor SFDR product information for that matter is processed in one way or the other in PRIIPs. This also means that a retail investor may need to obtain and read other product documents to get information on the sustainability of the investment product.

Question 5.2 Are retail investors easily able to find and access PRIIPs KIDs and PEPP KIDs?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 5.2:+

Question 5.2.1 What could be done to improve the access to PRIIPs KIDs and PEPP KIDs?

	Yes	No	Don't know/No opinion/Not applicable
Requiring PRIIPs KIDs and PEPP KIDs to be uploaded onto a searchable EU-wide database	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Requiring PRIIPs KIDs and PEPP KIDs to be uploaded onto a searchable national database	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Requiring PRIIPs KIDs and PEPP KIDs to be made available in a dedicated section on manufacturer and distributor websites	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Please specify to what other improvement(s) you refer in your answer to question 5.2.1:

Please explain your answer to question 5.2.1:

The PRIIPs KID

Question 5.3 Should the PRIIPs KID be simplified, and if so, how (while still fulfilling its purpose of providing uniform rules on the content of a KID which shall be accurate, fair, clear, and not misleading)?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.3:

5000 character(s) maximum

Yes. Although we believe that the PRIIPs KID is already intended to be a key and compact information document, we do believe that the KID could be simplified. For example in relation to costs and charges table. First of all, retail investors should recognise and be able to compare cost tables from a PRIIPs KID with that of the MiFID II ex-ante cost transparency information they receive from the investment firm. Secondly, such cost table should be readable and easy to understand for an average retail investors, which implies that such cost table should be as simple as possible and be self-explanatory, without the necessity with too many narratives explaining the table.

Implementation and supervision of the PRIIPs Regulation

Question 5.4 Can you point to any inconsistencies or discrepancies in the actual implementation of the PRIIPs Regulation across PRIIPs manufacturers, distributors, and across Member States?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.4:

Question 5.5 In your experience, is the supervision of PRIIPs KIDs consistent across Member States?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.5:

Question 5.6 What is in your experience as a product manufacturer, the cost of manufacturing:

5.6 a) A single PRIIPs KID (cost in € per individual product)

€

Please explain your answer to question 5.6 a):

5.6 b) A single PEPP KID (cost in € per individual product)

 €

Please explain your answer to question 5.6 b):

5.6 c) A single Insurance Product Information Document (cost in € per individual product)

 €

Please explain your answer to question 5.6 c):

5000 character(s) maximum

Question 5.7 What is in your experience as a product manufacturer the cost of updating:

5.7 a) A single PRIIPs KID (cost in € per individual product)

 €

Please explain your answer to question 5.7 a):

5.7 b) A single PEPP KID (cost in € per individual product)

 €

Please explain your answer to question 5.7 b):

5.7 c) A single Insurance Product Information Document (cost in € per individual product)

€

Please explain your answer to question 5.7 c):

Question 5.8 Which factors of preparing, maintaining, and distributing the KID are the most costly?

- Collecting product data/inputs
- Performing the necessary calculations
- Updating IT systems
- Quality and content check
- Outsourcing costs
- Other

Please specify to what other factor(s) you refer in your answer to question 5.8

Please explain your answer to question 5.8:

Multiple Option Products

For PRIIPs offering the retail investor a range of options for investments (Multiple Option Products) the PRIIPs Regulation currently provides the manufacturer with two different approaches for how to structure the KID:

- A separate KID can be prepared for each investment option (Article 10(a))
- A generic KID covering in general terms the types of investment options offered and separate information on each underlying investment option (Article 10(b))

According to feedback, both of these options present drawbacks, including challenges for retail investors to compare multiple option products with each other, in particular regarding costs.

An alternative approach would therefore be to require the provision of only one information document for the whole Multiple-Option Product, depending on the underlying investment options that the retail investors would prefer.

Question 5.9 Should distributors and/or manufacturers of Multiple Option Products be required to provide retail investors with a single, tailor-made, KID, reflecting the preferred underlying portfolio of each investor? What should happen in the case of ex-post switching of the underlying investment options?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.9:

Scope

The scope of the PRIIPs Regulation currently excludes certain pension products, despite qualifying under the definition of packaged retail investment products. These include pension products which, under national law, are recognised as having the primary purpose of providing the investor with an income in retirement and which entitle the investor to certain benefits. These also include individual pension products for which a financial contribution from the employer is required by national law and where the employer or the employee has no choice as to the pension product or provider.

Question 5.10 Should the scope of the PRIIPs Regulation include the following products? If so, why?

a) Pension products which, under national law, are recognised as having the primary purpose of providing the investor with an income in retirement and which entitle the investor to certain benefits:

- Yes
- No
- Don't know / no opinion / not applicable

b) Individual pension products for which a financial contribution from the employer is required by national law and where the employer or the employee has no choice as to the pension product or provider:

- Yes
- No
- Don't know / no opinion / not applicable

No, we do not believe that the scope of PRIIPs should be extended to individual pension products for which a financial contribution from the employer is required by national law and where the employer or the employee has no choice as to the pension product or provider. Pensions products have a fundamentally different pay out procedure and asset allocation from other investment products. Also a risk profile based on initial volatility will disincentivise investment

The ability to access past versions of PRIIPs KIDs from a manufacturer is useful in showing how its product portfolio has evolved (e.g. evolution of risk indicators, costs, investment strategies, performance scenarios, etc.) that cannot be understood from simply looking at the latest versions of PRIIPs disclosure documents of currently marketed products.

Question 5.11 Should retail investors be granted access to past versions of PRIIPs KIDs?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.11:

Question 5.12 The PRIIPs KIDs should be reviewed at least every 12 months and if the review concludes that there is a significant change, also updated.

Question 5.12.1 Should the review and update occur more regularly?

- Yes
- No
- Don't know / no opinion / not applicable

Question 5.12.2 Should this depend on the characteristics of the PRIIPs?

- Yes
- No
- Don't know / no opinion / not applicable

Question 5.12.3 What should trigger the update of PRIIP KIDs?

Please explain your answer to question 5.12:

6. SUITABILITY AND APPROPRIATENESS ASSESSMENT

Under current EU rules, an investment firm providing advice or portfolio management to a retail investor must collect information about the client and make an assessment that a given investment product is suitable for them before it can recommend a product to a client or invest in it on the client's behalf. Similar rules exist for the sale of insurance-based investment products and of Pan-European Pension Products. The objective of these rules is to protect retail investors and ensure that they are not advised to buy products that may not be suitable for them. The suitability assessment process may however sometimes be perceived as lengthy and ineffective.

Question 6.1 To what extent do you agree that the suitability assessment conducted by an investment firm or by a seller of insurance-based investment products serves retail investor needs and is effective in ensuring that they are not offered unsuitable products?

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree
- Don't know / no opinion / not applicable

Please explain your answer to question 6.1:

Generally, the current suitability assessment seem to be an appropriate tool for ensuring that investment firms provide investors with suitable investment products. This suitability assessment is especially essential for retail investors as part of financial advice or portfolio management. This framework must ensure that retail investors have easy and affordable access to ensure their participation in the EU capital markets.

Question 6.2 Can you identify any problems with the suitability assessment?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 6.2:

There may be a problem with an interplay between product governance rules and suitability or appropriateness testing. Essentially, one could argue that the combination of MiFID II product governance on one end and suitability or appropriateness testing on the other hand leads to less access of retail clients to investment products that may be suitable or appropriate. For example, a simple alternative investment fund (AIF) authorized for retail distribution may for product governance purposes be sold to mass retail in accordance with the target market setting by the fund provider. However, as an AIF is considered to be a complex investment product under the MiFID definition, it could well be the case that such a product might not be sold on a MiFID execution only basis without applying the appropriateness test. If a distributor has set up an execution only service without the required appropriateness test such AIF will not be eligible for distribution on such platform whereas a similar UCITS fund might, but only because of the legal structure, not because of the (lower) complexity of the product. In The Netherlands retail clients in increasing numbers invest on a non-advised, i.e. execution only basis. Distribution of investment products on a non-advised platform also makes it harder for investment firms to ensure that the target market of the investment products corresponds with the targeted end-clients. This is the case in particular where the target market setting is more granular, and especially also where it concerns complex products. Hence, given the example, but also more in general, we believe that the interaction between the product governance rules vis-à-vis the appropriateness test are not well calibrated and causes a mismatch which may be hard to explain to a retail client. Particularly, as the product governance process regime is an internal process and the reflections of this process are not always visible for the retail client. And given the circumstance that the MiFID II execution only regime in essence has not changed much.

We also believe that it is essential to ensure that suitability assessments take into account suitability at the level of the whole portfolio rather than ensuring each individual product meets the investor profile for example an equity allocation provides long term inflation protection for a long term low to medium risk investors who would not want all of their portfolio to be in equities.

In addition, with the upcoming embedding of suitability preferences in MiFID, it is important to develop a European consistent approach to ESG preferences and all the work the industry is doing in this space. National fragmentation in this respect would not be helpful.

Question 6.3 Are the rules on suitability assessments sufficiently adapted to the increasing use of online platforms or brokers when they are providing advice?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 6.3:

Particularly in an online and digital platform context, we see an issue with the current length of the

assessment. Too long assessments and lengthy KYC- questionnaires can dissuade retail investors from investing. The right balance between investor engagement and appropriate investor protection must be found, particularly in online context. Potential solutions could be sought in the concept of introducing so-called *default* investment products. For such products the Commission should consider a simplified assessment. Such products could be designed to be a default option for possible investors who wish to invest (i) well spread and diversified portfolio, (ii) for the long term, and (ii) against cost efficient costs.

Where investment firms do not provide advice or portfolio management, they are still required to request information on the knowledge and experience of clients to assess whether the investment service or product is appropriate, and to issue a warning in case it is deemed inappropriate. Similar rules apply to sales of insurance-based investment products where in specific cases the customer has made use of a right provided under national law to opt out of a full suitability assessment.

Question 6.4 To what extent do you agree that the appropriateness test serves retail investor needs and is effective in ensuring that they do not purchase products they are not able to understand or that are too risky for their client profile?

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree
- Don't know / no opinion / not applicable

Please explain your answer to question 6.4:

In generally, we believe that the appropriateness assessment serves retail investor needs. However, we advocate that the appropriateness test should not be applicable to simple liquid retail AIFs, which are according to ESMA complex products. For a retail client, such distinction in treatment is not being well understood by investors, where the difference may only exist in regulatory classification.

Question 6.5 Can you identify any problems with the test and if so, how might they be addressed (e.g. is the appropriateness test adequate in view of the risk of investors purchasing products that may not be appropriate for them)?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 6.5:

As indicated in Q 6.4. we advocate that the appropriateness test should not be applicable to simple liquid

retail AIFs, which are according to ESMA complex products. For a retail client, such distinction in treatment is not being well understood by investors, where the difference may only exist in regulatory classification.

Question 6.6 Are the rules on appropriateness tests sufficiently adapted to the increasing use of online platforms or brokers?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 6.6:

Question 6.7 Do you consider that providing a warning about the fact that a product is inappropriate is sufficient protection for retail investors?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 6.7:

We do wonder whether a warning about the fact that a product is inappropriate because of the lack of knowledge and experience is sufficient protection for retail investors. It is not always clear how such warning is being perceived. A warning to the effect that a client does not have any knowledge and experience, may be perceived by an investor that a product may not be suitable for him or her. However, that may not necessarily be the case. On the contrary.

In case of the execution of orders or transmission and reception of orders of certain non- complex products, at the initiative of the client, no appropriateness test is required. The investment firm must only inform the client that the appropriateness of the service or product has not been assessed and that he/she does not benefit from the protection of the relevant rules on conduct of business.

Question 6.8 Do you agree that no appropriateness test should be required in such situations?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 6.8:

DUFAS believes indeed no-appropriateness test should be required for the acquisition of non-complex products. The current regime in this respect is sufficient and should not be changed.

MiFID II requires that when investment firms manufacture financial instruments for sale to clients, they must make sure that:

- those instruments are designed to meet the needs of an identified target market of end clients
- the strategy for distribution of the financial instruments is compatible with the identified target market
- and they must take reasonable steps to ensure that the financial instrument is distributed to the identified target market

The investment firms that offer or recommend such financial instruments (the distributors) must be able to understand them, assess their compatibility with the needs of their clients and take into account the identified target market of end clients.

Question 6.9 Does the target market determination process (at the level of both manufacturers and distributors) need to be improved or clarified?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 6.9:

At this stage, we believe that the fund industry has thoroughly implemented the target market process and provides detailed information in the form of the FinDatEx European MiFID Template (EMT) to distributors to ensure that the latter can meet the target market requirements. The process is working well and does not need to be improved or clarified. Moreover, given the fact that sustainability preferences as a result of MiFID Delegated Acts amendments needs to be integrated we do not believe that at this stage further change would be helpful.

Demands and needs test (Specific to the Insurance Distribution Directive (IDD))

Before selling an insurance product or insurance-based investment product, insurance distributors are obliged to have a dialogue with their customers to determine their demands and needs so that they are able to propose products offering adequate characteristics and coverage for the specific situation of the customer. Any products proposed must be consistent with the customer's demands and needs. In the case of insurance-based investment products, this requirement comes in addition to the suitability assessment.

Question 6.10 To what extent do you agree that, in its current form, the demands and needs test is effective in avoiding mis-selling of insurance products and in ensuring that products distributed correspond to the individual situation of the customer?

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree
- Don't know / no opinion / not applicable

Please explain your answer to question 6.10:

Question 6.11 Can you identify any problems with the demands and needs test, in particular its application in combination with the suitability assessment in the case of insurance-based investment products? If so, how might they be addressed?

- Yes
- No
- Don't know / no opinion / not applicable

The IDD does not contain detailed rules on the demands and needs test and leaves it to Member States to decide on the details of how the test is applied in practice. This results in differences between Member States.

Question 6.12 Are more detailed rules needed in EU law regarding the demands and needs test to make sure that it is applied in the same manner throughout the internal market?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 6.12:

Question 6.13.1 Is the demands and needs test sufficiently adapted to the online distribution of insurance products?

- Yes
- No
- Don't know / no opinion / not applicable

Question 6.13.2 Are procedural improvements or additional rules or guidance needed to ensure the correct and efficient application of the test in cases of online distribution?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 6.13:

7. REVIEWING THE FRAMEWORK FOR INVESTOR CATEGORISATION

As announced under Action 8 of the [capital markets union action plan](#), the Commission intends to assess the appropriateness of the existing investor categorisation framework and, if appropriate, adopt a legislative proposal aimed at reducing the administrative burden and information requirements for a subset of retail investors. This will involve the review of the existing investor categorisation (namely the criteria required to qualify as a professional investor) or the introduction of a new category of qualified investor in [MiFID II](#).

Currently, under MiFID II, retail investors are defined as those that do not qualify to be professional investors. Where investors choose to opt into the professional category, the intermediary must warn the investor of the level of protection they will cease to have and the investor must comply with at least two of the three following criteria:

- the client has carried out transactions, in significant size, on the relevant market for the financial instrument or for similar instruments with an average frequency of at least 10 transactions per quarter over the previous four quarters
- the size of the client's financial instrument portfolio composed of cash deposits and financial instruments must be larger than €500,000
- the client currently holds or has held for at least one year a professional position in the financial sector which requires knowledge of the envisaged financial transactions or services

Retail investors are currently subject to a number of additional investment protection measures, such as prohibition to acquire certain products as well as additional disclosure information. Some stakeholders have argued that for certain investors that currently fall under the retail investor category, these protections are not necessary. The creation of a new client category or the modification of the existing requirements for professional clients on request could thus give a subset of investors a broader and more comprehensive access to the capital markets and would bring additional sources of funding to the EU economy.

A well-developed set-up could allow the preservation of the necessary investor protection while improving the engagement in the capital markets.

The 2020 [consultation](#) on MiFID already addressed the Question of a possible new category of semi professional investor, and the following questions follow-up on the main findings.

Question 7.1 What would you consider the most appropriate approach for ensuring more appropriate client categorisation?

	Yes	No	Don't know No opinion Not applicable
Introduction of an additional client category (semi-professional) of investors.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Adjusting the definition of professional investors on request	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
No changes to client categorisation (other measures, i.e. increase product access and lower information requirements for all retail investors)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Please explain your answer to question 7.1:

As mentioned in our response to the Public consultation on the review of the MiFID II/MiFIR regulatory framework in 2020, we are aware that a new semi-professional investor definition could be one way to address the issue of better access to the capital markets. However we are also aware that the whole process of reclassification inherent in the introduction of a fourth level of client categorisation brings with it a number of operational complexities, and the burden of repapering clients with new contracts shortly after the significant changes brought in by MiFID II. We could see this new category addressing the investment needs of certain types of investor such as family offices and charities, but our experience tells us that they can usually categorise under the large undertaking tests. We therefore recommend further cost-benefit assessment of the number of clients who would benefit from such change.

We therefore have no firm conclusive opinion on the question potential additional investor category. This depends on the entire revision of the professional framework under MiFID and should not be approached in isolation. Some of our members may support the introduction of a new category Whilst others are not and are of the opinion that the current rules work. Adding a new category will result, as indicated, in an additional administrative and operational burden. In addition, it will also introduce new questions for the grey areas between non-professional and semi-professional and semi-professional and professional. Where amendment are needed, this should be reflected by amendment of some of the current requirements concerning opt up (and opt down).

A new category is particularly relevant in the event the requirements between professional clients and retail clients diverge, e.g. in relation to product governance requirements.

Should the MiFID conduct rules for professional client and retail clients be not much different, there is less need for a new category. Whereas in case the framework between professional and retail investors are quite different, adding a new category in between becomes more relevant. Essentially, whether or not a new category should be introduced depends on the entire MiFID framework, and the way a distinction is

made between both types of investor. Moreover, it is essential that client classification, including such new category corresponds with the categories used in other legislation such as PRIIPs, AIFMD and the Prospectus Regulation in order to avoid any confusion. Amending opt-up professional: In addition some of our members advocate amending the current opt-up professional category. Finally, as a main goal in the context of the CMU, adding a new category or alternatively an amendment of the current opt-up professional category, should have the result that there will be more capital flows into sustainable investment products, AIFs and ELTIFs which may be less liquid, but may at the same time be attractive for those investors that have a long term horizon. An amendment of the current opt-up professional investor regime could facilitate this, e.g. by lowering the threshold for the number of required transactions to e.g. a threshold of two transactions per year in case of illiquid instruments such AIFs and ELTIFs. This because we note that clients investing in alternative assets (particularly on a buy and hold basis) may not pass the number of current quantitative transactions required in a year to be classified as a professional investor.

Question 7.2 How might the following criteria be amended for professional investors upon request?

a) “the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters”

- No Change
- 30 transactions on financial instruments over the last 12 months, on the relevant market
- 10 transactions on financial instruments over the last 12 months, on the relevant market
- Other criteria to measure a client’s experience
- Don’t know / no opinion / not applicable

Please specify to what other criteria to measure a client’s experience you refer in your answer to question 7.2 a)

The threshold of number of transactions may vary depending on the type of financial instrument. For example, a lower threshold could be considered for illiquid instruments in comparison to diversified and liquid products.

Please explain your answer to question 7.2 a):

b) “the size of the client’s financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500,000”

- No change
- Exceeds Euro 250,000
- Exceeds Euro 100,000

- Exceeds Euro 100,000 and a minimum annual income of EUR 100,000
- Other criteria to measure a client's capacity to bear loss
- Don't know / no opinion / not applicable

Please specify to what other criteria to measure a client's capacity to bear loss you refer in your answer to question 7.2 b)

As indicated, we have no firm conclusive opinion on the categorisation issue. Hence, we also have no conclusive opinion on the question whether or not the threshold for professional clients on request should be lowered as such. This depends on the entire revision of the professional framework under MiFID and should not be approached in isolation.

Please explain your answer to question 7.2 b):

c) "the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged"

- No change
- Extend definition to include relevant experience beyond the financial sector (e.g. in a finance department of a company).
- Adjust the reference to the term 'transactions' in the criteria to instead refer to 'financial instruments'
- Other criteria to measure a client's financial knowledge
- Don't know / no opinion / not applicable

Please specify to what other criteria to measure a client's financial knowledge you refer in your answer to question 7.2 c)

Members of DUFAS believe that the number of transactions which a client has to undertake per quarter penalizes sophisticated long-term investors who have a buy or hold strategy and/or use the services of a professional advisor or consultation for the purposes of portfolio construction. Furthermore, the number of transactions conducted may very well depend on underlying market volatility and the need to hedge reallocate positions on the basis of market movements. Hence, the number of transactions should also be depended on the type of instrument, and the frequency should also at least be set on a yearly basis rather than a quarterly basis. While experience in the financial sector does constitute relevant experience, we believe there are a number of other examples firms could use to establish experience. DUFAS members support a more flexible approach which would allow firms to assess client experience on the basis of a flexible number of criteria. For example, it is a very different process to assess the experience of a high net worth individual who may or may not have a retained advisor or discretionary portfolio manager or a trustee of a local authority pension fund who has access to sophisticated advice from a specialist pensions

consultant.

Please explain your answer to question 7.2 c):

d) Clients need to qualify for 2 out of the existing 3 criteria to qualify as professional investors. Should there be an additional fourth criterion, and if so, which one?

- No change
- Relevant certified education or training that allows to understand financial instruments, markets and their related risks.
- An academic degree in the area of finance/business/economics.
- Experience as an executive or board member of a company of a significant size.
- Experience as a business angel (i.e. evidenced by membership of a business angel association).
- Other criteria to assess a client's ability to make informed investment decisions
- Don't know / no opinion / not applicable

Please specify to what other criteria to assess a client's ability to make informed investment decisions you refer in your answer to question 7.2 a)

Please explain your answer to question 7.2 d):

Companies below the thresholds currently set out in MiFID II (2 of 3: turnover of €40 mln, balance sheet of €20 mln and own funds of €2 mln) would also qualify as retail investors.

Question 7.3 Would you see merit in reducing these thresholds in order to make it easier for companies to carry out transactions as professional clients?

- No change.
- Reduce thresholds by half.
- Other criteria to allow companies to qualify as professional clients
- Don't know / no opinion / not applicable

Please specify to what other criteria to allow companies to qualify as professional clients you refer in your answer to question 7.3:

Please explain your answer to question 7.3

8. INDUCEMENTS AND QUALITY OF ADVICE

EU legislation sets out requirements on the provision of investment advice and around the payment of commissions and other forms of inducements to sellers of financial products. In the case of investment services and activities, investment firms must, for example, inform the prospective client whether any advice provided is on an independent basis, about the range of products being offered and any conflicts of interest that may impair independence. Use of inducements is restricted (i.e. any payment must be designed to enhance the quality of the relevant service to the client and it must not impair compliance with the investment firm’s duty to act honestly, fairly and professionally in accordance with the best interest of its clients). Any payments to investment firms for the distribution of investment products must also be clearly disclosed. The rules slightly differ for the sale of insurance-based investment products: inducements may only be received if they do not have a detrimental impact on the quality of the service to the customer. However, there is no general prohibition on the payment of inducements if the seller declares that advice is given independently. Under UCITS and AIFMD, asset managers are also subject to rules on conflict of interests and inducements.

However despite these rules, concerns have been expressed that the payment of inducements may lead to conflicts of interest and biased advice, since salespersons may be tempted to recommend products that pay the highest inducements, irrespective of whether or not it is the best product for the client. For this reason, the Netherlands has banned the payment of inducements. On the other hand, other stakeholders have argued that the consequence of banning inducements might be that certain retail investors would be unable or unwilling to obtain advice, for which they would need to pay. Questions on inducements have also been asked in the [MiFID/R consultation](#) which was conducted at the beginning of 2020.

Question 8.1 How effective do you consider the following measures to/would be in protecting retail investors against receiving biased advice due to potential conflicts of interest?

	1 (Not at all effective)	2 (rather not effective)	3 (Neutral)	4 (somewhat effective)	5 (very effective)	Don't know
Ensuring transparency of inducements for clients	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

An obligation to disclose the amount of inducement paid	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Allowing inducements only under certain conditions, e.g. if they serve the improvement of quality	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Obliging distributors to assess the investment products they recommend against similar products available on the market in terms of overall cost and expected performance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Introducing specific record-keeping and reporting requirements for distributors of retail investment products to provide a breakdown of products distributed, thus allowing for supervisory scrutiny and better enforcement of the existing rules on inducements	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Introducing a ban on all forms of inducements for every retail investment product across the Union	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please explain your answer to question 8.1

In the Netherlands a full ban on inducements was introduced as per 1 January 2014. This meant that investment firms and banks that offer investment services and ancillary services to retail clients were not allowed any longer to pay or receive any third party monetary inducements, except for some minor non-monetary benefits. Even receiving and passing rebates by the investment firm in full to the end client, in contrast as to the MiFID II regime, is forbidden under Dutch law.

The ban on inducements resulted in the different pricing for investment services. Instead of 'subsidy' via rebates, clients need to pay directly for their investment services. The impact thereof was most of all visible for investment advice as advisory fees were normally included in transaction fees and subsidized by such rebates. Retail clients needed to get used to pay for investment advice directly, whilst at the same time costs transparency was increased. For the mass retail market, it is fair to say that such clients nowadays have limited access to investment advice or no access at all. Perhaps not everything can be attributed to the inducements ban, but it cannot be denied that the ban contributed to the decline in the offering of investment advice. In terms of costs, the result of the inducements ban was that in the operating model within a bank, the wealthy private banking clients did no longer anymore subsidised indirectly the smaller retail clients. Most Dutch banks offer investment advice services only to private banking clients starting from EUR 500.000 net investable assets. Since the introduction of the inducements ban, it is fair to say that

most retail clients have either shifted to execution only services, i.e. non-advised services, or portfolio management services. Particularly execution only services are offered to the mass retail market.

Despite the potentially negative effects, such as the existence of the advisory GAP, the question arises whether the Dutch market wishes to go back to the situation before the introduction on the inducements ban. We are not aware of parties operating in the Dutch market discussing or wishing to go back to the situation prior to 1 January 2014. It is fair to say that the market and clients have adjusted to the inducements ban. Some Dutch asset managers, have publicly stated that the inducements ban contributed to more professionalism within the asset management sector. Costs transparency has increased and asset managers are forced to show their added value. From a client perspective, clients only are paying and are willing to pay for investment advice if the investment advisor really adds value. This contributes to the quality of investment advice.

Question 8.2 If all forms of inducement were banned for every retail investment product across the Union:

a) what impacts would this have on the availability of advice for retail investors? Please explain your answer:

As indicated above, in the Netherlands this has led to a shift between investment services. It has led to an advisory retail GAP for the mass retail. The major Dutch banks, the main distributors in the Netherlands, do not offer advisory services anymore to clients with investible assets below EUR 500.000.

b) what impacts would this have on the quality of advice for retail investors? Please explain your answer:

From a client perspective, it is fair to say that clients which can afford investment advice are only paying and are willing to pay for investment advice if the investment advisor really adds value. This contributes to the quality of investment advice

c) what impacts would this have on the way in which retail investors would invest in financial instruments? Please explain your answer:

d) what impacts would this have on how much retail investors would invest in financial instruments? Please explain your answer:

Question 8.3 Do the current rules on advice and inducements ensure sufficient protection for retail investors from receiving poor advice due to potential conflicts of interest:

	Yes	No	Don't know No opinion Not applicable
In the case of investment products distributed under the MiFID II framework?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
In the case of insurance-based investment products distributed under the IDD framework?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
In the case of inducements paid to providers of online platforms/comparison websites?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Please explain your answer to question 8.3

Question 8.4 Should the rules on the payment of inducements paid to distributors of products sold to retail investors be aligned across MiFID and IDD?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 8.4:

Question 8.5 How should inducements be regulated?

Please select as many answers as you like

- Ensuring transparency of inducements for clients
- Ensuring transparency of inducements for clients, including an obligation to disclose the amount of inducement paid
- Allowing inducements only under certain conditions, e.g. if they serve the improvement of quality

- Obliging distributors to assess the investment products they recommend against similar products available on the market
- Introducing specific record-keeping and reporting requirements for distributors of retail investment products to provide a breakdown of products distributed, thus allowing for supervisory scrutiny and better enforcement of the existing rules on inducements
- Introducing a ban on all forms of inducements for every retail investment product across the Union

Please explain your answer to question 8.5:

The use of payments for order flow (PFOF), where a broker (or an investment firm) directs the orders of its clients to a single third party for execution against remuneration, appears to be increasingly popular as a business model, in particular in the context of on- line brokerage. This practice is raising concerns in terms of potential conflicts of interest due to payment of inducements and possible breach of the obligations surrounding best execution of the client's orders (i.e. an obligation to execute orders on terms that are most favourable to the client).

Question 8.6 Do you see a need for legislative changes (or other measures) to address conflicts of interest, receipt of inducements and/or best execution issues surrounding the compensation of brokers (or firms) based on payment for order flow from third parties?

- Yes
- No
- Don't know / no opinion / not applicable

If yes, please detail the changes you would consider relevant?

Question 8.7 Do you see a need to improve the best execution regime in order to ensure that retail investors always get the best possible terms for the execution of their orders?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 8.7:

Financial advisors play a critical role in the distribution of retail investment products, however standards (levels of qualifications, knowledge, skills, etc.) differ across Member States. In order to reduce the risk of mis-selling, increase individual investors' confidence in advice and create a level playing field for market operators offering advice in different Member States, the 2020 CMU action plan proposed that certain professional standards for advisors should be set or further improved.

Question 8.8 Would you see merit in developing a voluntary pan-EU label for financial advisors to promote high-level common standards across the EU?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 8.8 and indicate what would be the main advantages and disadvantages:

If you would see merit in developing that voluntary pan-EU label, what would you consider the essential characteristics of such a label and how should it be similar to or different from those that already exist in the market:

Robo-advisors, i.e. online platforms providing automated investment advice (and in many cases also portfolio management) are in principle subject to the same investor protection rules as traditional "human" advisors under the MiFID and IDD frameworks. While robo-advisors may offer advantages for retail investors, in particular lower fees, accessible investment thresholds and in principle often impartial advice (unbiased by payment of inducements), robo-advisors may also present risks resulting from, e.g. simplistic non-dynamic algorithms which may not create efficient investment portfolios.

Question 8.9 Are robo-advisors (or hybrid advisors) regulated in a manner sufficient to protect retail investors?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 8.9:

Question 8.10 The use of robo-advisors, while increasing, has not taken off as might have been expected and remains limited in the EU. What do you consider to be the main reason for this?

- Lack of awareness about the existence of robo-advisors
- Greater trust in human advice
- Other
- Don't know / no opinion / not applicable

Please specify to what other reason(s) you refer in your answer to question 8.10:

Please explain your answer to question 8.10:

Question 8.11 Are there any unnecessary barriers hindering the take-up of robo- advice? If so, which measures could be taken to address them?

- Yes
- No
- Don't know / no opinion / not applicable

If such unnecessary barriers do exist, which measures could be taken to address them?

Please explain your answer to question 8.11:

9. ADDRESSING THE COMPLEXITY OF PRODUCTS

Financial products, including those targeted at retail investors, are often highly complex and often not properly understood by retail investors. Consumer representatives have therefore been regularly calling for

simple, transparent and cost-efficient products. Less complex products suitable for retail investors exist in different areas, such as UCITS and certain Exchange Traded Funds (ETFs), and have been set as the default option of PEPP.

Question 9.1 Do you consider that further measures should be taken at EU level to facilitate access of retail investors to simpler investment products?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 9.1:

As said, we do believe that the future framework should be more designed to enable the consumer, particularly also those with a smaller budget. This could for example be achieved by introducing a concept that investing in certain default investment products is a suitable manner of generating income for later apart from or next to savings. Examples of such products could be non-complex ETFs/index trackers or other non-complex investment funds. . The retail investors protection rules should clearly distinguish between such default products and products which are more of a speculative nature. In the perception of the average consumer, such distinction is not being made. This is particularly in the context and comparing such products with products that nowadays seems much more accessible to retail investors such as online platforms, apps for sale of CFDs and unregulated bitcoins. Hence, we see merit in some measures taken at EU level to facilitate access of retail investors to simpler investment products, although the concept of what is considered to be simple subject to interpretation. We rather would like to define simple product as default products. Non-complex investment funds, and simple ETFs in particular, should e.g. benefit of a label which is designed to give comfort to consumers that such products and are relatively safe for investing in a longer term. Such products could be designed to be a default option for possible investors who wish to invest (i) well spread and diversified portfolio, (ii) for the long term, and (ii) against cost efficient costs.

Question 9.2 If further measures were to be taken by the EU to address the complexity of products:

- a) should they aim to reinforce or adapt execution of orders rules to better suit digital and online purchases of complex products by retail investor:**

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 9.2 a):

b) should they aim to make more explicit the rules which prohibit excess complexity of products that are sold to retail investors

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 9.2 b):

c) should they aim to develop a new label for simple products?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 9.2 c):

As said, we do believe that the future framework should be more designed to enable the consumer, particularly also those with a smaller budget. This could for example be achieved by introducing a concept that investing in certain default investment products is a suitable manner of generating income for later apart from or next to savings. Examples of such products could be non-complex passive ETFs/index trackers. The retail investors protection rules should clearly distinguish between such default products and products which are more of a speculative nature. In the perception of the average consumer, such distinction is not being made. This is particularly in the context and comparing such products with products that nowadays seems much more accessible to retail investors such as online platforms, apps for sale of CFDs and unregulated bitcoins. Hence, we see merit in some measures taken at EU level to facilitate access of retail investors to simpler investment products, although the concept of what is considered to be simple subject to interpretation. We rather would like to define simple product as default products. Non-complex investment funds, and simple ETFs in particular, should e.g. benefit of a label which is designed to give comfort to consumers that such products and are relatively safe for investing in a longer term. Such products could be designed to be a default option for possible investors who wish to invest (i) well spread and diversified portfolio, (ii) for the long term, and (ii) against cost efficient costs.

d) should they aim to define and regulate simple, products (e.g. similar to PEPP)?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 9.2 d):

e) should they aim to *tighten the rules restricting the sale of very complex products to certain categories of investors*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 9.2 e):

a) should they have another aim?

- Yes
- No
- Don't know / no opinion / not applicable

Please specify to what other aim you refer and explain your answer to question 9.2 f)

10. REDRESS

There will be occasions when things go wrong with an investment, e.g. if products have been mis-sold to the retail investor. Retail investors have the possibility to address their complaint directly to the firm: MiFID, for example, requires investment firms to establish, implement and maintain effective and transparent complaints management policies and procedures for the prompt handling of clients' complaints and similar provisions are contained in the recent [Crowdfunding Regulation](#). Redress can also be sought through non-judicial dispute resolution procedures or can be obtained in national courts. In certain cases, where large numbers of consumers have suffered harm, collective redress can also be obtained.

Question 10.1 How important is it for retail investors when taking an investment decision (in particular when investing in another Member State), that they will have access to rapid and effective redress should something go wrong?

- Not at all important
- Rather not important
- Neutral
- Somewhat important
- Very important
- Don't know / no opinion / not applicable

Please explain your answer to question 10.1:

In general access to rapid and effective redress should something go wrong is rather important. An effective, reliable and independent redress is important for investors' trust.

Question 10.2 According to MIFID II, investment firms must publish the details of the process to be followed when handling a complaint. Such information must be provided to the client on request or when acknowledging a complaint and the firm must enable the client to submit their complaint free of charge. Is the MiFID II requirement sufficient to ensure an efficient and timely treatment of the clients' complaints?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 10.2:

5000 character(s) maximum

In general, we believe that the current regime is sufficient.

Question 10.3 As a retail investor, would you know where to turn in case you needed to obtain redress through an out of court (alternative dispute resolution) procedure?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 10.3:

Question 10.4 How effective are existing out of court/alternative dispute resolution procedures at addressing consumer complaints related to retail investments/insurance based investments?

- Not at all effective
- Rather not effective
- Neutral
- Somewhat effective
- Very effective
- Don't know / no opinion / not applicable

Please explain your answer to question 10.4:

We believe that the existing Dutch out of court/alternative dispute resolution procedures at addressing consumer complaints related to retail investments are rather effective.

Question 10.5 Are further efforts needed to improve redress in the context of retail investment products:

Please select as many answers as you like

- Domestically?
- In a cross border context?

Please explain your answer to question 10.5:

Certain groups of consumers (e.g. the elderly, over-indebted or those with disabilities) can be particularly vulnerable and may need specific safeguards. If the process of obtaining redress is too complex and burdensome for such consumers and lacks a specially adapted process (e.g. assistance on the phone), redress may not be an effective option for them.

Question 10.6 To what extent do you think that consumer redress in retail investment products is accessible to vulnerable consumers (e.g. over-indebted, elderly, those with disabilities)?

- Not accessible at all
- Rather not accessible
- Neutral
- Somewhat accessible
- Very accessible

Don't know / no opinion / not applicable

Please explain your answer to question 10.6

11. PRODUCT INTERVENTION POWERS

ESMA has been given the power to temporarily prohibit or restrict the marketing, distribution or sale of financial instruments with certain specified features or a type of financial activity or practice (these are known as “product intervention powers”). EIOPA has similar powers with regard to insurance-based investment products. These powers have been used by ESMA in the past for certain types of high risk product e.g. binary options and contracts for differences (CFDs).

Question 11.1 Are the European Supervisory Authorities and/or national supervisory authorities making sufficiently effective use of their existing product intervention powers?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 11.1:

Question 11.2 Does the application of product intervention powers available to national supervisory authorities need to be further converged?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 11.2:

Question 11.3 Do the product intervention powers of the European Supervisory Authorities need to be reinforced?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 11.3:

--

12. SUSTAINABLE INVESTING

Citizens are today increasingly aware of the serious economic, environmental and social risks arising from climate change. As retail investors, they are also becoming conscious of the potential contribution they might make towards mitigating those risks by making more sustainable choices when investing and managing their savings. The 2018 European Commission's Action Plan on Financing Sustainable Growth set the basis for increasing the level of transparency on sustainability investments, through disclosure rules (e.g. Sustainable Finance Disclosure Regulation) and labels (e.g. EU Ecolabel), thereby substantially reducing the risk of greenwashing. In addition, the integration of retail investors' sustainability preferences as a top-up to the suitability assessment and financial advice in IDD and MIFID II delegated acts will ensure that clients are offered financial products and instruments that meet their sustainability preferences.

Question 12.1 What is most important to you when investing your savings?

	1 (most important)	2	3 (least important)
An investment that contributes positively to the environment and society	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
An investment that reduces the harm on the environment and society (e.g. environmental pollution, child labour etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial returns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Question 12.2 What would help you most to take an informed decision as regards a sustainable investment?

	1 (not at all helpful)	2 (rather not helpful)	3 (Neutral)	4 (somewhat helpful)	5 (very helpful)	Don't know No opinion Not applicable
Measurements demonstrating positive sustainability impacts of investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Measurements demonstrating negative or low sustainability impacts of investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information on financial returns of sustainable investments compared to those of mainstream investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Information on the share of financial institutions' activities that are sustainable	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Require all financial products and instruments to inform about their sustainability ambition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Obligation for financial advisers to offer at least one financial product with minimum sustainability ambition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
All financial products offered should have a minimum of sustainability ambition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Question 12.3 What are the main factors preventing more sustainable investment?

	1 (not at all important)	2 (rather not important)	3 (Neutral)	4 (somewhat important)	5 (very important)	Don't know No opinion Not applicable
Poor financial advice on sustainable investment opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Lack of sustainability-related information in pre-contractual disclosure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Lack of EU label on sustainability related information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Lack of financial products that would meet sustainability preferences	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Financial products, although containing some sustainability ambition, focus primarily on financial performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Fear of greenwashing (i.e. where the deceptive appearance is given that investment products are environmentally, socially or from a governance point of view, friendly)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Please specify to what other factor(s) you refer in your answer to question 12.3:

DUFAS believes that enhancing the clarity and simplicity of sustainability -related disclosures for distributors and clients is key to encouraging more sustainable investments from retail investors and to prevent confusion amongst investors and stakeholders what is considered to be sustainable.

DUFAS believes that sustainable investing is crucial for further development of the European retail investment market, the enhancing the CMU in particular. Research shows that particularly younger generations are willing to invest in a sustainable economy, even if this may not be directly reflected in higher returns (see AFM research).

Crucial for this is a common understanding what is considered to be a sustainable investment and which is not. Obviously, particularly, the SFDR will play an important role in providing information to stakeholders, including retail investors, on sustainable investing. However, the current information framework, SFDR and Taxonomy, combined with the traditional information framework, prospectus, PRIIPs, MiFID etc. is not suited for the information purposes of (potential) retail investors. Far too much detailed and technical information contained in various separate documents is not helpful for the average retail investor.

Hence, we call upon the European Commission to redesign the current investor information framework and in particular on sustainable investing. Existing mechanism may be used, key information documents, but apart from the EU Ecolabel which is currently being developed, labelling may be considered. From that perspective, we believe that the EC needs to develop an European label strategy on the long term in order to address the current fragmentation of (national) ESG labels in the European market. Such European labelling strategy should fit in the current EU Sustainable Finance framework and should ideally leverage upon the MiFID, SFDR and Taxonomy framework.

Question 12.4 Do you consider that detailed guidance for financial advisers would be useful to ensure simple, adequate and sufficiently granular implementation of sustainable investment measures?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 12.4

We could have ticked either YES or NO depending how you would approach the question. Some sort of guidance for financial advisers would be useful to ensure simple, adequate and sufficiently granular implementation of sustainable investment measures. However, such guidance should not necessarily be too detailed, [and leverage upon Taxonomy and SFDR disclosures]. Financial advisers should be able to provide simple choices for investors, which needs to be accompanied by the provision of simple information on sustainable financial products which for a retail investor could be well understand. Key is therefore keeping it simple and not overdo it. Having clear classification, and a clear explanation hereof, of the various types of sustainable financial products in place would be very helpful. This can be achieved by creating buckets and having labels in place. As a result of the proposals by the EC in the MiFID II delegated act incorporation sustainability preferences into the investment process when rendering investment advisory and portfolio management services this has already been secured for a major part.

MiFID II regulates the way investment firms produce or arrange for the production of investment research to be disseminated to their clients or to the public. This concerns investment research i.e. research or other information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several financial instruments or the issuer of financial instruments. In the context of the COVID-19 pandemic, the research regime has been reviewed in order to facilitate the production of research on the small and medium enterprises and encourage more funding from the capital markets. In order to also encourage more sustainable investments, it is fundamental that investment research consider the E (environmental,) S (social) and G (corporate governance) factors of the Issuers and financial instruments covered by that research.

Question 12.5 Would you see any need to reinforce the current research regime in order to ensure that ESG criteria are always considered?

- Yes
 No
 Don't know / no opinion / not applicable

Please explain your answer to question 12.5

DUFAS recognizes there is an increasing demand from asset managers for ESG data, ratings and related services due to the growing sustainable investments activities of asset managers. Data is needed to be able to comply with European regulatory frameworks on sustainable finance. Given the lack of publicly available information, asset managers are heavily reliant on the information from third-party ESG data providers. DUFAS and its members recognize the need for consistent, relevant, reliable and comparable ESG data as

also shared by AMF and AFM.

DUFAS members experience that data providers tend to use different methodologies for assessing ESG ratings on corporate issuers, and the same may apply to the future integration of the ESG or taxonomy principles in their research. We believe that is a concern, as data from various data providers should be comparable. There is need for consistency and comparability of ESG ratings. This does not necessarily mean that various data providers may have different views on materiality and on impact which may bring different results, but comparability should be construed from the data and methodology used. In other words, one could argue that the research providers may use the same data, but the outcome may be different. However, it may not always be clear whether the ESG ratings are coming from the exact data set or appreciation of such data set. The conclusion is therefore that the comparability of data remains an issue when there are no internationally consistent, well defined metrics and reporting requirements. Without this, it is still difficult to make clear company comparisons and it remains challenging to enable portfolio and investment choices based on the data available. Transparency on the methodologies and the use of underlying data by research providers is key as to enable market parties to compare such ratings and to value and assess the outcome hereof. Such transparency should enable market participants to decide which data provider to select.

13. OTHER ISSUES

Question 13 Are there any other issues that have not been raised in this questionnaire that you think would be relevant to the future retail investments strategy?

More information

Would you like to respond, or should you have any questions? I would be pleased to hear from you. Please feel welcome to e-mail Randy Pattiselanno, DUFAS, manager strategy & regulatory affairs, at rp@dufas.nl.

DUFAS: Dutch Fund and Asset Management Association

Since 2003, DUFAS has been committed to a healthy asset management sector in the Netherlands. DUFAS has more than 50 members: from large asset managers who invest Dutch pension and insurance assets to smaller, specialist asset managers. DUFAS increases awareness of the social relevance of investing, helps to develop sector standards and represents the sector in the implementation of new laws and regulations. In addition, DUFAS is committed to a single European market with equal regulations.